Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/25/2000

GAIN Report #MO0027

Morocco

Oilseeds and Products

Import Duties Down

2000

Approved by:
Merritt Chesley
U.S. Embassy, Rabat
Prepared by:
Aziz Abdelali

Report Highlights:
On November 1, 2000, Morocco will significantly reduce the import tariffs on oilseeds, oil and meal. This is expected to boost imports of oilseeds and oilseed meals. Also, Morocco will phase out the retail subsidy on vegetable oil.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Rabat [MO1], MO

Tariffs Reduction on Oilseeds and Products:

The GOM has announced that starting November 1, 2000 the import duties on oilseeds, crude vegetable oil, and oilseed meals will be reduced sharply (Morocco mostly imports crude oil for further refining.) Unlike the old system that calls for a variable levy, the new system consists of a single flat duty on imported oilseeds and oilseed products. The new tariff for oilseeds will be applied exclusively to oilseeds imported directly by the crusher. Oilseeds that are not imported for use by crushers will continue to be subject to duties under the old system.

Customs Duties on Oilseeds and Products

	NEW DUTIES (Nov.1, 2000) (% ad valorem)	OLD SYSTEM		
		Base Customs Duty (% ad val.)	Threshold Price (dh/MT)	Additional Duty(2) (%)
Oilseeds (1)				
- Soybeans	2.5	7.5	2,900	100
- Rapeseeds	2.5	22.0	3,300	122
- Sunflowerseed	2.5	17.0	3,500	118
Crude Vegetable oil				
- Soybean Oil	2.5	31.0	7,000	137
- Rapeseed Oil	2.5	15.0	7,800	122
- Sunflower Oil	2.5	13.0	7,000	136
Refined Vegetable oil				
- Soybean Oil	25.0	34.0	9,000	141
- Rapeseed Oil	25.0	17.0	10,100	126
- Sunflower Oil	25.0	34.0	9,000	142
Oilseed Meals				
- Soybean Meal	25.0	2.5	2,470	99
- Rapeseed Meal	25.0	2.5	1,870	92
- Sunflower Meal	25.0	2.5	1,490	92

Note:
(1) New rates apply exclusively to oilseeds imported directly by the crusher.
(2) Under the old system, an additional duty is applied to the differential between the GOM preset threshold price and the C&F price (when the threshold price is higher than C&F price + port charges).
Current Exchange rate (Dirhams-dh/MT): 11.00

Phasing out of Vegetable oil Retail Subsidy:

The flat 5,365.00 dirhams ($488) per MT of vegetable oil subsidy will no longer be disbursed to refineries. Currently, this subsidy is given to refineries to allow them to sell their vegetable oil production at artificially low retail prices. The decrease in duties of vegetable oil combined with low world prices for crude vegetable oil should make the refineries able to sell their vegetable oil production at prices very similar to the current local retail prices. This favorable price situation was instrumental in convincing the GOM to proceed by phase out the whole subsidy system.

Liberalization of Local Retail Prices of vegetable oil:

Currently, because vegetable oil prices have been preset by the GOM at a uniform price throughout the country, there were few incentives for the local refineries to improve labeling, quality and develop new types of vegetable oils. So far, refineries have been given opportunity to compete only on oil procurement in the world market and processing.

The liberalization of retail prices of vegetable oil should allow the refineries to compete on quality as they will be able to include any additional costs or savings in the retail price. They will be able to develop products for specific niches and market segments. However, because vegetable oil is considered a staple food of high social value in Morocco and the GOM is particularly concerned about any abrupt increase in its prices, the GOM and the private refineries signed a protocol agreement under which prices will be maintained at or about current levels over the next couple of years. The GOM is expected to meet annually with the private sector to study the measures to take in case of a significant increase in world prices of vegetable oil.

Currently, except for a small amount of sunflower oil labeled as such , the consumer is used to buying a single type of table oil. Recently, some refineries started putting on the market table oil labeled as "Soybean oil". This will provide a good opportunity for US organizations (such as ASA) to carry on promotional activities specific to soybean oil.

Effects on Feed Industry:

The significant drop in duties for oilseeds and oilseed meal is likely to result in soybean meal being used more widely not only by the feed manufacturers that produce mostly poultry feed but also by cattle and sheep farmers. The cost of poultry feed should decline by an estimated 5 to 8 percent, which is expected to be passed on to consumers and eventually boost local consumption. This would be especially true if the GOM decides to decrease the duty on other key feed ingredients such as corn.

Incentive to Local Production (sunflower seed):

Domestic producers of oilseeds (sunflowerseed) will continue to receive fixed support price.
The only crusher of oilseeds in Morocco, Lesieur, agreed to purchase all local production of sunflower at a GOM preset price (currently 4,500.00 dirhams per MT ($409/MT)). The GOM will disburse to

the crusher the differential between the GOM preset price and the price at which the crusher would have to import at. The GOM is expected to disburse annually about $14.5 million dollars for this purpose, which would account for a local production of 35,000 MT.

Effect on Trade

Oilseeds / Oilseed Meals

Overall imports of oilseeds and oilseed meals should increase moderately as the new tariffs should result in oilseed meal being put in the market. This decrease in price might also result in an increase of use of soybean meal by ruminants (mostly cattle and sheep) farmers who purchase their own feed ingredients.

Since the decrease in duties on oilseeds applies only for oilseeds imported directly by the crusher, the new duty will not help encourage the use of full-fat soya by feed manufacturers and farmers.

Vegetable oil

Imports of vegetable oil are not expected to increase significantly because of the low elasticity of the demand for vegetable oil and because, as far as the consumer is concerned, the retail prices are not expected to change significantly.

There is, however, a major difference with the old duty system:

1) Oil refineries will have to compete more on oil procurement in the world market because, unlike in the old system, the final price at which the crude oil will enter the refinery will be more closely related to world prices. Under the old system, the variable duties offset any major increase in import prices and there was no incentive for the refineries to look for cheap imports because the imported oil ended up at the refinery at about the same price (see MO004).

2) Since all crude vegetable oils are subject to the same duty, processing costs will play a greater role in determining which type of oil (sunflower, soybean, or rapeseed) the refiners are going to import.